

The sale of a prescription discount card is the sale of an intangible and is not subject to tax. See 86 Ill. Adm. Code 130.101. (This is a GIL.)

June 23, 2005

Dear Xxxxx:

This letter is in response to your letter dated July 7, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We are writing to obtain the ruling that would apply to the Sales and Use Tax for the State of Illinois as it relates to our business, as described below.

We are a wholesale and distribution company that plans to sell prescription drug discount cards (the 'Cards') through retail stores in the State of Illinois. These retail locations include convenience stores, supermarkets, pharmacies and physicians' offices.

The Cards allow cardholders to receive discounted prices for prescription drugs that are purchased in selected retail pharmacies. In order to receive the discounted prices, the cardholder simply needs to present the Card when filling and/or paying for a valid prescription medication. The Cards, which will be priced at \$14.95, will expire 90 days from first usage, but may be used as often as needed during that period.

It is our understanding that the sale of discount cards which enable purchasers to take advantage of exclusive discounts are not sales of tangible personal property and, therefore, are not taxable in Illinois. Sales of such cards represent sales of intangibles, and since a retailer's Occupation Tax and Use Tax is triggered upon the transfer of tangible personal property, no sales tax liability attaches to such sales.

Please advise us whether our interpretation is accurate of these tax laws. Should you need more information, please contact us. Thank you.

DEPARTMENT'S RESPONSE:

We apologize for the delay in responding to your inquiry. The sale of a discount card is not considered a sale of tangible personal property. The sale of such a card represents the sale of an intangible, and since the Illinois sales tax laws are triggered upon the transfer of tangible personal property, no sales tax liability attaches to such a sale. See 86 Ill. Adm. Code 130.101. For information regarding the tax liabilities of pharmacists when the discount cards are used by the cardholders, please see Section 130.2125 of our regulations, entitled "Trading Stamps and Discount Coupons." The regulations can be found on our website under "Legal Research", "Regulations".

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110(b).

Sincerely,

Samuel J. Moore
Associate Counsel

SJM:msk